

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – APRIL 23, 2003

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.

EXCUSED: Commissioner John Byrne

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending April 20, 2003 shows retail sales were up a little over 14%, on-premise sales were up almost 9.4%, off-premise sales were up 17.1%, and total aggregate sales were up approximately 14%. The traffic count increased by 16,366, while the average sales ticket increased by \$2.26.

The W-1 Total Weekly Sales Report for the same week confirms total sales for the week increased by 14%, as they did for the year by 5.3% or \$14,043,264. Wine sales were up 23.1% or \$538,985 for the week, and were up 8.8% or \$10,545,191 for the year. Sales of spirits for the week rose 6.8% or \$195,231, and also increased year-to-date by 2.4% or \$3,502,710.

B. Budget Reports:

In reviewing the current outstanding depletions and post-offs, Craig cited one particular broker and again asked if any action would be taken by Marketing regarding accounts in arrears. John Bunnell said the broker in question would be contacted.

Craig mentioned that last week what appears to be the last conference call with Paymentech and ACR took place. Any other issues will be handled on a case-by-case basis. He commented that Paymentech personnel have been a pleasure to work with. The new program is on the home stretch and should be implemented soon.

Chairman Maiola, George and Craig met with the Senate Ways & Means Committee this past Monday morning and with the Capital Budget Committee yesterday morning. Both meetings went smoothly. Senator Clegg said there is a move to sell cigarettes in liquor stores, but it is not known how strong support for this is. Chairman Maiola mentioned that he spoke with Bob Odell last night, who said he would get back to the Chairman with further information. Commissioner Russell felt that the Commission should take a vote strongly opposing such a bill. Craig said there are no further scheduled hearings at this time. At some point there will probably be discussions regarding the operating budget.

Craig attended his first union negotiations meeting, and will keep everyone posted on any developments.

Chairman Maiola said the Governor approved additional monies needed for renovations at Store #38 Portsmouth. This may necessitate a late item request to Governor and Council. Craig spoke with Joe Bouchard and Peter Yao about the need to fill store positions.

George Liouzis will be undergoing open heart surgery today, and it is anticipated that he will not return to work for quite some time. Craig asked that people work with him and Veronica if there are personnel issues.

The W-6 Expense Budget Activity Variance Report for the week ending April 22, 2003 shows the year is at 81.10% completed, with total agency expenditures at about 82.78% of the total budget. This is a little high due to salaries, benefits and utilities costs. George explained how utility costs have been saved and expended. Transfers will be prepared for the salaries and benefits categories, and may be necessary for the utilities line.

Accounting is looking into leasing automobiles in the next biennium. This, however, will not be supported by Administrative Services.

The auditors will be arriving during the second week in May.

2. IT Reports

So far, 48 stores have been installed with the new Paymentech conversion, with another 4 stores due to be installed today. The program is still on target to be completed by next Wednesday. Training for gift cards is also expected to be finished within the targeted timeframe.

Howard briefly reviewed the handout on IT open projects. Key points are the two RiTA projects which involve interface to Paymentech – one so personnel can key transfers in-house, and the other for connection to Administrative Services. This is scheduled to be ready about mid-May. The Master Piece integration is scheduled for the end of May. The gross profit project can begin shortly thereafter. Training for Outlook will begin May 5th, with 15 one-half hour sessions conducted on special features.

This week the necessary changes will be completed in order to capture special offers on the web. Utilization can begin with the August offers.

Mike Gocłowski said live testing is ready to start on the new Law web site. He asked if there were any formats the Commission preferred for information pertaining to them.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 4/20/03 were up \$531,304.52 or 13.28%. Peter pointed out that Store #34 Salem, Store #20 Derry and Store #51 Pelham experienced significant increases, despite the Easter holiday.

Gift card training will go out “on the road” at five different locations throughout the state next week. The gift cards and point-of-sale materials will be distributed at that time.

There are no updates on the renovation processes at Store #38 Portsmouth and Store #34 Salem, as construction meetings are currently going on. Tom Smith should be picking up the schedule for Portsmouth today. The switchover for construction of the north side of the Salem store is expected for the beginning of next month.

2. Purchasing Report

A review of the current out-of-stock report shows no significant problems with any of the major brands at this time.

3. Merchandising Report

A. SPIRITS:

1) New Name (“Hot Brand Savings”):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a name change for the revised “Special Value” Program to “Hot Brand Savings”, to begin with June 2003 pricing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Father’s Day Sale (24 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve twenty-four (24) spirit items to be featured during the Father’s Day Sale, scheduled from Thursday, June 5 through Sunday, June 15, 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Test Market Products:

a. Test Market Request (Glenmorangie 15-Year Old Malt Scotch):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Brown-Forman Corporation for a new test market product listing for Glenmorangie 15-Year Old Malt Scotch, 750ML size (assigned three-digit Code #942), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Test Market Request (Vincent Van Gogh Pineapple Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Dirkzwager Distilleries for a new test market product listing for Vincent Van Gogh Pineapple Vodka, 750ML size (assigned three-digit Code #945), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. Test Market Request (Chi-Chi's Mango Margarita):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands, Ltd. for a new test market product listing for Chi-Chi's Mango Margarita, 1.75L size (assigned four-digit Code #5260), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. Test Market Request (2 Marie Brizard products):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Mohawk Distilled Products for new test market product listings for Marie Brizard Mango Passion Liqueur, 750ML size (assigned four-digit Code #5151) and Marie Brizard Watermelon Liqueur, 750ML size (assigned four-digit Code #5153), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. Test Market Request (3 Skyy Vodka products):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Sky Spirits for new test market product listings for Skyy Berry Vodka, 750ML size (assigned four-digit Code #3491), Skyy Vanilla Vodka, 750ML size (assigned four-digit Code #3492) and Skyy Spiced Vodka, 750ML size (assigned four-digit Code #3493), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) One Time Buy (Boru Irish Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that an offer from United Beverages, Inc./Great Spirits/MHW to make a one-time purchase of Boru Irish Vodka, 1.75L size, be tabled pending further negotiations with the broker. The motion was unanimously adopted.

5) Mark Down (Canadian Rare):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a mark down in retail price for Code #2180, Canadian Rare, 1.75L size, which was delisted at the Commission meeting of March 13, 2003, in order to deplete remaining inventory, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) June Special Offers (3 items – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of three (3) spirit items, to be featured on sale during June 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Tabled Item (One-Time Buy – tabled from 4/17/03, Item #3):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that this item remain on the table, pending further review of information received from the broker. The motion was unanimously adopted.

B. WINES:

1) Moet & Chandon White Star – 4 pack with mini-flute:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny an offer from Martignetti Companies of N.H./Schieffelin & Somerset Co. for the Commission to purchase and distribute Moet & Chandon White Star 4 pack, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for Father's Day 2003 (9 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve nine (9) wine items to be featured during the Father's Day Sale, scheduled for Thursday, June 5 through Sunday, June 15, 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for June 2003:

a. 3 items – Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon

depletions of three (3) wine items, to be featured on sale during June 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 10 items – M.S. Walker, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of ten (10) wine items, to be featured on sale during June 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 57 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of fifty-seven (57) wine items, to be featured on sale during June 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 97 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of ninety-seven (97) wine items, to be featured on sale during June 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Recommended Wine Specialty Products (17 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve seventeen (17) wine items to be listed as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Not Recommended – Wine Specialty & Allocated (5 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission not approve five (5) wine items to be listed as wine specialty and allocated products, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Recommended Allocated & Restricted Wines for Distribution to Selected Stores:

- a. 1 item:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve one (1) wine item to be designated as allocated and restricted for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 12 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve twelve (12) wine items to be designated as allocated and restricted for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Primary Source Submissions:

- a. 2 items – primary source; 6 items – exclusive agent; 2 items – imported:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine items which are from primary source, six (6) wine items which are not from primary source, but are offered by the exclusive marketing agent, and two (2) wine items which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 11 items – exclusive agent; 37 items – imported:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of eleven (11) wine items which are not from primary source, but are offered by the exclusive marketing agent, and thirty-seven (37) wine items which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously approved submittals for bailment releases/transfers dated April 18 through April 23, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items:

a. Summer Splash Program (platinum sponsor - tabled from 4/17/03):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that this item be removed from the table, and that the Commission approve Captain Morgan (submitted by Diageo) as the platinum sponsor for the Summer Splash Program, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was passed on a two to one vote, with Commissioner Byrne opposed.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

/D. Hartford

